

Message Text

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13-12

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 ISO-00 COME-00 AGR-05

TRSE-00 STR-04 SS-15 SP-02 L-03 H-02 NSC-05 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 TAR-01

OIC-02 IO-11 /097 W

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R 022340Z FEB 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2771

INFO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY SANTO DOMINGO

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EO 11652: NA

TAGS: ETRD EAGR MX

SUBJECT: INTERNATIONAL COCOA AGREEMENT

REF A. STATE 17295, B. STATE 15573, C. STATE 12368,

1. SUMMARY: EMBEONCOFF SAW SOLIS AND ROJAS JAN. 30. SOLIS SAID NO MEXICAN DECISION ABOUT PARTICIPATION IN COCOA AGREEMENT WILL BE MADE UNTIL AFTER VISIT OF HACKMAN AND FEB. 24 MEETING OF COCOA PRODUCERS IN BRAZI). AS AN ECONOMIST, SOLIS APPEARS TO DISLIKE DRAFT AGREEMENT BUT AS POLITICIAN IS PERHAPS SUBJECT TO POLITICAL PRESSURES TO ATTAIN COMMODITY AGREEMENTS. ANYTHING DEPT CAN GIVE US TO HELP SOLIS JUSTIFY NEGATIVE POSITION BEFORE FEB. 24 COULD BE MOST HELFUL. EN SUMMARY.

2. ON JAN. 30 EMBECONOFF GAVE COPY OF DEPT'S JAN. 16 PRESS RELEASE ON US COMMODITIES POLICY TO LIC. MARCO A. SOLIS, DIRECTOR
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GENERAL, NATIONAL COCOA COMMISSION AND SR. ROJAS, COMMISSION'S

DELEGATE TO COCOA NEGOTIATIONS IN GENEVA. HE CALLED THEIR ATTENTION PARTICULARLY TO PARA 4 OF PRESS RELEASE AND SOLICITED THEIR VIEWS OF COCOA AGREEMENT IN VIEW OF US STATEMENT.

3. AFTER READING STATEMENT, SOLIS SAID "IT APPEARS THE U.S. IS NOT GOING TO SIGN DRAFT AGREEMENT" AND EMBOFF REPLIED PER PARA 4 REF C. SOLIS THEN SAID THAT AS ECONOMIST HE DID NOT LIKE NOR DID HE UNDERSTAND RECENTLY NEGOTIATED DRAFT COCOA AGREEMENT; IT WAS TOO COMPLICATED AND HE DID NOT BELIEVE ANYTHING THAT COMPLICATED COULD WORK. HE ALSO SAID THAT SINCE OVER 50 PERCENT OF MEXICO'S COCOA EXPORTS TO TO US, MEXICO HAD TO TAKE US POSITION INTO ACCOUNT. COMMISSION WAS STILL STUDYING AGREEMENT AND WOULD NOT TAKE POSITION ON IT UNTIL AFTER FEB. 24 MEETING OF COCOA PRODUCERS IN BRAZIL. MEANWHILE, CONSULTATIONS WOULD BE HELD WITH IVORY COAST AND MR. HACKMAN, EXECUTIVE DIRECTOR OF ICCO, WHO IS DUE IN MEXICO FEB. 2. POSITION WOULD THEN BE PRESENTED TO BOARD OF DIRECTORS OF COMMISSION FOR APPROVAL. IN REPLY TO EMBOFF'S QUESTIONS SOLIS STATED BOARD IS COMPOSED OF REPS FROM DEPTS OF AGRICULTURE, PATRIMONY, TREASURY AND FOREIGN AFFAIRS.

4. SOLIS BROUGHT UP COFFEE AGREEMENT AND ASKED WHY US POSITION ON COFFEE DIFFERED FROM THAT ON COCOA. EMBOFF REPLIED THAT AS OUR POLICY STATEMENT INDICATED, WE CONSIDERED EACH COMMODITY AGREEMENT ON ITS OWN MERITS. WHEREAS IT WAS FEASIBLE TO USE BUFFER STOCK FOR COCOA IT WAS NOT FEASIBLE TO USE ONE FOR COFFEE BECAUSE STUDIES INDICATED RESOURCES WHICH IT WOULD ABSORB WERE ENORMOUS, WELL OVER ONE BILLION DOLLARS. SOLIS THEN SAID THAT TWO PRODUCTS, COFFEE AND COCOA, ALTHOUGH GROWN IN SAME AGRICULTURAL AREAS PRESENTED COMPLETELY DIFFERENT INTERNATIONAL MARKETING PROBLEMS. HE POINTED OUT THAT THERE HAD BEEN GREAT FLUCTUATIONS IN PRICE OF COCOA SINCE 1974 AND HE WONDERED WHETHER ANY AGREEMENT COULD MINIMIZE THESE. EMBOFF REPLIED THAT ONE HAD TO DISTINGUISH BETWEEN GENERAL INCREASES IN ALL COMMODITIES WHICH OCCURRED IN 1974 ACCOMPANYING WORLD-WIDE INFLATION AND FLUCTUATION IN PRICES CAUSED BY RIGID COCOA QUOTAS OPERATING AGAINST INELASTIC DEMAND. THAT IS WHY US HAD PROPOSED TO SHIFT EMPHASIS FROM USE OF QUOTAS FOR STABILIZATIONS TO USE OF BUFFER STOCK.

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5. ROJAS AND SOLIS THEN ASKED EMBOFF WHAT US GOVERNMENT PROPOSED TO DO. EMBOFF STATED THAT WE HAD SUGGESTED CERTAIN PROVISIONS OF AGREEMENT BE RENEGOTIATED BUT OTHERWISE HE WAS UNINSTRUCTED. HOWEVER, HE UNDERSTOOD THAT UNLESS PRODUCER COUNTRIES ACCOUNTING FOR AT LEAST 80 PERCENT OF WORLD'S COCOA PRODUCTION PARTICIPATED IN NEW AGREEMENT AGREEMENT WOULD NOT COME INTO FORCE AND HE PRESUMED NEGOTIATIONS WOULD HAVE TO BEGIN IMMEDIATELY TO MODIFY IT OR

TO DEVELOP NEW AGREEMENT.

6. AS HE LEFT EMBOFF TOLD SOLIS THAT IF MR. HACKMAN'S VISIT
RASIED ANY QUESTIONS HE WOULD DO ALL HE COULD TO HELP CLARIFY
THEM WE AGREED TO STAY IN TOQCH.

7. COMMENT: WE HAVE NO DOUBT THAT MR. SLIS AS ECONOMIST DOES
NOT WANT THIS COCOA AGREEMENT; HOWEVER, HE ALSO DOES NOT WANT
TO MAKE RECOMMENDATION TO HIS BOARD OF DIRECTORS WHICH WOULD
BE REJECTED. WE DO NOT KNOW HOW MUCH OF MEXICO'S THRID WORLD
RHETORIC WOULD BE REFLECTED BY MEMBERS OF BORAD OF DIRECTORS
OF COMMISSION. FURTHERMORE, SOLIS PROBABLY CANNOT DETERMINE HOW
MEXICO WOULD FARE UNDER NEW DRAFT AGREEMENT OR US PROPOSALS. WE
PROPOSE TO SEE SOLIS AFTER HACKMAN'S VISIT AND BEFORE PRODUCERS'
MEETING IN BRAZIL FEB. 24 AND WOULD APPRECIATE ANY ADDITIONAL INFO
DEPT CAN PROVIDE TO HELP SOLIS JUSTIFY NEGATIVE POSITION. FOR
EXAMPLE, IS PT POSSIBLE FOR DEPT TO MAKE AN ESTIMATE OF HOW
MEXICO MIGHT FARE UNDER THE VARIOUS PROPOSALS? IN THE LAST
ANALYSIS MEXICO'S SELF-INTEREST ALMIST ALWAYS PREDOMINATES
OVER RHETORIC.
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